



DEPARTMENT OF NATURAL RESOURCES

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MEMORANDUM

DATE: July 13, 2006

TO: Land Reclamation Commission

FROM: Mike Larsen, Chief; Projects & Inspection Unit (*original signed by Mike Larsen*)

SUBJECT: Universal Coal and Energy Co., Inc.; Renick Mine #12
(Lincoln General Insurance Company)
Permit 1983-21; Final Surety Bond and Liability Release

I. BACKGROUND:

On September 26, 1996, the Land Reclamation Commission signed a settlement agreement entered into between Universal Coal and Energy Co., Inc., Lincoln General Insurance Company (surety for Universal Coal), the Missouri Attorney General's Office and the Land Reclamation Program. The settlement agreement set forth the provisions by which Show Cause Order #1624, issued to Universal Coal for a pattern of violations, would be resolved. The Settlement Agreement stipulated that the commission would revoke Universal Coal's permit #1983-21 but would not forfeit the bond, #2053 in the amount of \$200,000.00 issued by Lincoln General Insurance Company. The agreement was made that the surety would undertake the reclamation of the Renick mine and comply with all provisions of the Settlement Agreement.

Subsequent to the commission's approval of the agreement, reclamation work began at the mine site in the summer of 1997 and, for the most part, completed by the end of that year. At the May, 1998 meeting of the Land Reclamation Commission, the staff presented a recommendation to the commission for a partial release of bond for Lincoln General owing to the fact that all backfilling and grading of the mine site had been completed, all available topsoil had been redistributed to a uniform thickness and all initial seeding work had been completed. This was done in accordance with the provisions of the settlement agreement which provided for a partial release of bond when the bulk of the reclamation work had been finished. The amount of release granted at that time was for 50% of the original bond amount or \$100,000.00.



Since that time there have been periodic maintenance problems at the mine site. In particular a spillway associated with pond #002 has historically been a problem. More than one design was tried but all failed during the late 1990's and early 2000's. Because of this recurring problem, a final bond release has not been presented to the commission with a staff recommendation for approval.

Earlier this year, the program worked on this problem with the consultant for the surety in order to provide for a solution. It was decided that hand placement of large rock along the sides of the spillway for embankment protection and removal of large rock from the flow line of the spillway should be done. This work was performed and completed during the early part of June, 2006.

It should be noted that all other aspects of the reclamation at this mine site have been successfully completed. The landowners of the property have been contacted twice in writing and by certified mail during the spring of this year and neither the staff nor the consultant for Lincoln General has received any response from them. It is assumed that they are not in disagreement with the proposal for a full and final release of liability at this site.

II. FIELD INSPECTION:

On June 22, 2006, I inspected the Renick Mine for compliance with the plan of reclamation and for the completion of all work to qualify the site for a final release of bond and liability. I was accompanied during the inspection by Mr. Perry Pursell, Office of Surface Mining. The following is a description of the observations made during the inspection:

A. GRADING/TOPSOIL REPLACEMENT/STRUCTURES

Grading has been completed to approximate original contour on all areas, topsoil has been entirely redistributed in accordance with the approved plan of reclamation, and erosion is predominately under control.

There exist several permanent water impoundments within the former permit area. All impounding structures are stable and functioning as designed. The spillway for pond #002 has been repaired. The water in all impoundments is of acceptable quality.

B. SURFACING/VEGETATIVE COVER

The vegetative cover over the minesite is fully established, self sustaining and of obviously good quality. It has been apparent over the years that the landowner has been utilizing the established grass/legume stand of vegetation for grazing and hay crops. The predominant land use for the mine site is now one of pasture. As mentioned above, there are also several water impoundments left by the mining company that are now used to support an agricultural use.

C. PERMANENT ROADS:

There exists one access road in the permit which has been surfaced with gravel to provide for a durable surface. This road was placed where the former coal haulage road existed. This road remains at the request of the landowner.

III. CONCLUSION AND RECOMMENDATION:

It is the staff's determination that Lincoln General Insurance Company has completed all reclamation required of it in accordance with the approved reclamation plan and signed Settlement Agreement in order to be granted a full and final bond/liability release on all areas affected under Permit #1983-21.

Therefore, it is the staff's recommendation that the Commission now grant a full and final release to Lincoln General Insurance Company for any further reclamation liability on Permit #1983-21. This will reduce the remaining bond amount from the existing \$100,000.00 to \$0.00.